

Good afternoon Chairwomen Bartolomeo and Willis, Ranking Members Markley and Kokoruda, and other members of this important subcommittee.

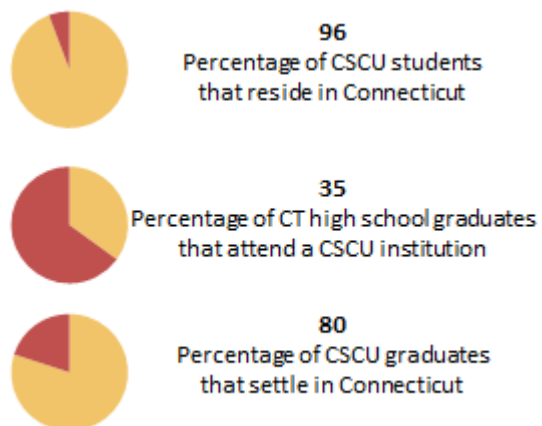
My name is Gregory Gray, and I am the President of the Board of Regents for Higher Education, an organization that governs four state universities, 12 community colleges, and Charter Oak State College. With me today I have several of the Presidents of our wonderful institutions, many of whom various members of this committee know personally. I also have with me members of my executive team, who will assist me in this presentation and in answering your questions as comprehensively as we are able to do so at this time.

Given the short amount of time that has elapsed between the release of Governor Malloy's budget last Wednesday and this hearing today, I must first be upfront. We are just beginning to realize the implications of the proposed budget to our institutions and the students we serve, and because of the short time we have had to review this document, the projections we have carry us only through the first year of the biennium. We have made NO decisions with regard to tuition, personnel, programs, or organization. The responsible way forward is to proceed by placing all available options on the table for discussion, and we will do so, even though many of those options are unpalatable. Here is my commitment to you: We will do our absolute best to minimize the impact of these potential decisions on our students.

I will let my Chief Financial Officer, Erika Steiner, who has been examining the budget since Wednesday, brief you on what we see as the potential impact, but I think it is important to provide you with context about the activities in which we have been engaged in the last year, the efforts we have undertaken to be responsible stewards of the dollars provided by the Governor and the legislature, and some thoughts on the value we provide the residents of this state.

### **Connecticut's System of Higher Education**

Members of this committee that are on the Higher Education Committee have likely heard me say time and time again that our 17 institutions together comprise "Connecticut's system of higher education." That's because 96% of our students are Connecticut residents. It is because 35% of all of Connecticut's high school graduates attend one of our institutions, and it is because 80% of those who complete their degree requirements set permanent roots in Connecticut after graduation.



Further, it is because we educate about 120,000 credit and non-credit students per year, from the developmental to the doctoral level. We employ 6,000 faculty and staff. Our institutions are the primary educational provider for the demographic groups in this state that are growing the fastest, and that are expected to comprise an ever increasing share of matriculating students in the years to come.

When members of this body talk about an educated workforce, it is our institutions that are expected to provide that workforce. When we talk about an enlightened citizenry, it is our schools that create that environment here in this state, and I am very proud of the work that we do and the success we achieve despite what are some obvious financial challenges, not just in this upcoming fiscal year, but in the current and past years as well. However, as the cost of public higher education shifts more to the student, these goals and ideas are more and more in jeopardy.

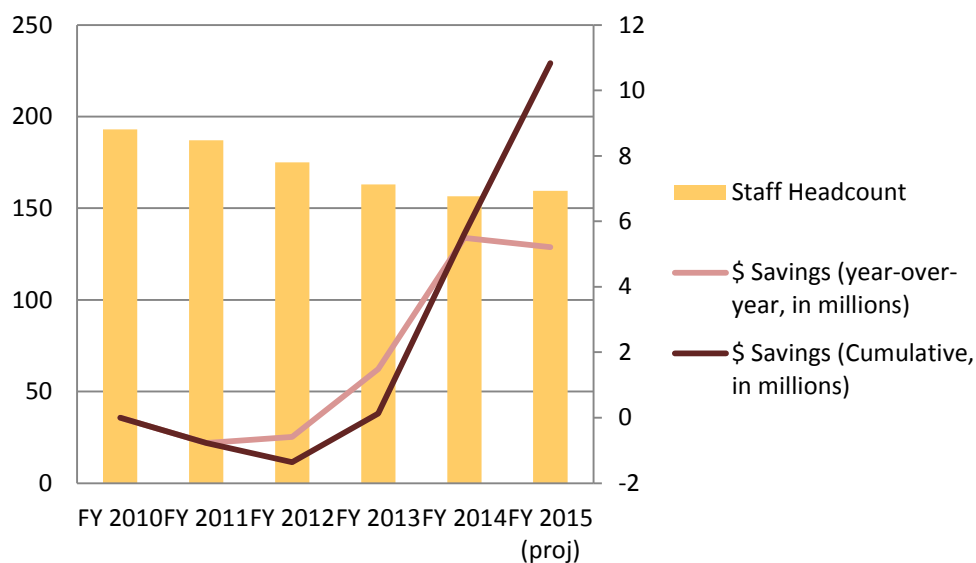
### Impact of Reorganization

The system office supports vital functions that would otherwise be replicated on each campus. For example, IT management and facilities master planning functions are housed in the central office. Without these services, each and every campus would need to replicate these functions individually, at a far greater cost to students and the state. But that is not an excuse for spending beyond our means.

Since I have arrived, and even with actions taken prior to my arrival, the Board of Regents has strived to be responsible and effective in its use of public funding, driving efficiencies in the system office, and reallocating as many dollars as possible to student services and instruction. In fiscal year 2010, 193 staff worked in the two predecessor system offices, comprising 3.5% of the total budget of the entire systems. Today, that number is down to 159.5 positions, a reduction of 33.5 staff. As a percentage of the total system budget, these costs are down to 2.69%. The savings achieved through this effort equate to \$7.9 million.

## System Office Consolidation Savings

(excluding fringe benefits)



With dollars saved at the system level, and dedicated funding sources provided by the state, we exceeded the faculty hiring targets mandated in the FY 2014 budget. We were committed to hiring 112 faculty members, and in the last 18 months, 176 new instructional faculty, both replacement and additional, have been hired across the system. Coupled with enrollment declines that can be tied directly to decreases in the high school census, the ratio of students to full-time faculty became more favorable. This means students are receiving more face time and mentorship from dedicated, tenure-track professors than at any point since the Connecticut State Colleges and Universities (CSCU) system was created.

### **Important Successes**

During the last year the CSCU system has experienced a number of successes and achieved a number of important results. The successes include grants and awards and honors for our institutions and faculty.

Go Back to Get Ahead, an innovative program approved in 2014, designed to incentivize students who had at least 12 credits, but for whatever reason elected to discontinue their progress toward a degree, has brought 1,300 students back to the system. These students are bolstering enrollment, which helps the institutions keep per student costs down, but more importantly they are helping themselves and helping the state as a whole by taking steps to complete their degrees. The software infrastructure that was built around this program can now be transitioned into other enrollment and retention efforts we may undertake.

- In the area of grants, the CSCU system received \$31.8 million in grant money, from a diverse group of providers, including individuals, foundations and the federal government, including a \$15 million Training Assistance Act grant for Manufacturing
- In terms of awards and honors, there were a significant number of them received by our colleges and universities, faculty and staff in 2014, including an “Achieve the Dream” leader designation for Capitol Community College; one of our faculty named as President of the National Council on Black-American Affairs
- Importantly, 15,003 students graduated from our institutions
- Launched a multi-year strategic planning effort to continue progress toward full realization of Governor Malloy’s and the Legislature’s System consolidation objectives
- Maintained a 2% cap on tuition increases for all CSCU institutions
- Launched the Norwalk Early College Academy, an innovative early college program, in partnership with IBM
- Continued the implementation of PA 12-40
- Hired four new, dynamic and forward-looking leaders to grow and guide four of our community colleges—Asnuntuck, Housatonic, Quinebaug and Three Rivers. Each one has gotten off to a great start in carrying on the proud history of these colleges, and in beginning to put their distinctive stamp on them

Yes, we have experienced a few “bumps in the road” this year, but in each case we learned from them and redoubled our efforts to put students first and work more closely with our institutions’ faculty and staff, to adapt to the changes in higher education that are sweeping the country, and taking root in this state.

## Being a System

Both in the context of our strategic planning effort, as well as in other areas, we have sought in the past year to solidify the CSCU System, and to pursue the benefits that both Governor Malloy and the General Assembly envisioned when the consolidation was proposed. There is no doubt that we have made real progress in this direction in 2014, but we have so much further to go.

For example, we are at a very early point in our strategic planning process. Even now, however, we have begun to see changes take place leading to “system-ness.” The first of these, of course, is the common academic calendar. Adopted in 2014, the common calendar contributes to less confusion and greater consistency across the CSCU System for students and their parents, as well as our faculty and staff.

Looking forward, we are engaged as we speak in intensive efforts in the following areas:

- Transfer and Articulation—a team of institution Presidents, faculty and staff are well on the way to developing a program that will simplify and clarify the process of transferring to institutions within the CSCU system, and promote more on-time and on-budget completions and graduations
- Cross-campus registrations and admissions—also on the road to reality, with another team developing the plan, and its execution, so that a student at one college has one-click access to courses at another institution
- Academic program assessment—designed to examine the System’s academic offerings and harmonize them with current and future needs, both for our students and Connecticut’s business and industry
- State-of-the-art classrooms—creating 21<sup>st</sup> century classrooms across the CSCU network, with faculty’s direction and guidance

There are numerous other activities under way to help us realize the goals of system consolidation, all of them designed to make the academic and overall student experience the best that they can be at CSCU colleges and universities.

Of course there are other critical activities under way as well, relating to greater effectiveness and efficiencies. These will provide for consistent, high quality support services for all of our institutions, as well as for all of our students, faculty and staff. Process improvements are imperative to help us to live more within the means of the new economic reality we are facing over the next few years, and into the future, just as these new economic realities are forcing us to find these efficiencies more quickly. The CSCU System Office and institutional administrators have to get continually smarter and leaner, so that we can deliver on our commitment to use as many of the dollars our students and you give us for the students’ benefit.

I would now like to ask Erika Steiner to speak to you about the projected impact of the proposal before you.

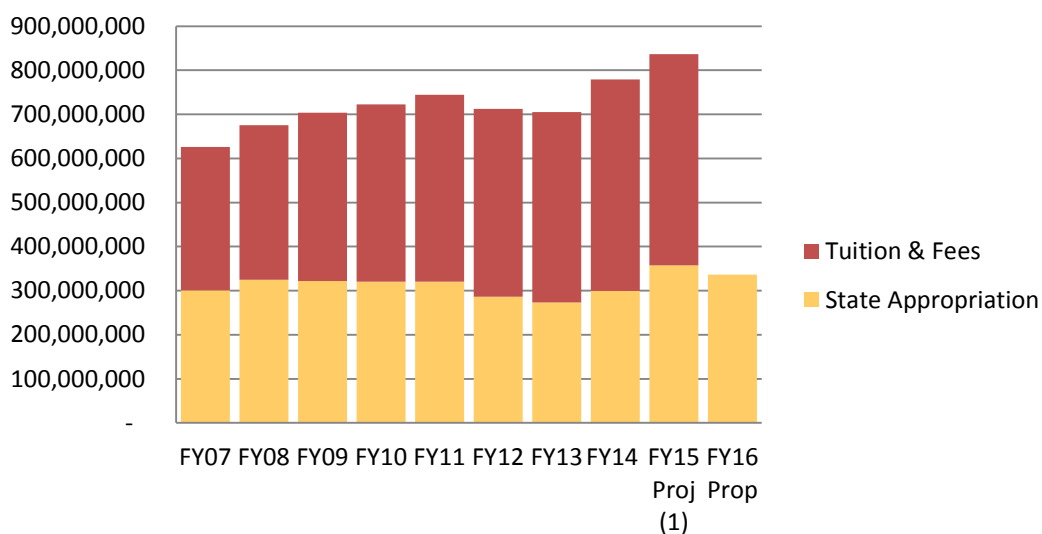
## Comments by the Chief Financial Officer

Good afternoon and thank you to all the members that are here today for holding this important hearing.

The bottom line impact of the proposals before you is that our institutions face a gap of approximately \$38 million in fiscal year 2016. Schedule A shows a table explaining in detail this calculation. As it relates to FY 17, because the budget proposal contains no increases in the second year, the bottom line impact is expected to be greater, but as of yet, we have not projected that amount.

- Our fiscal year 2016 request from the state contemplated current services required to maintain a quality level of instruction for our 17 institutions of higher education, cover cost increases mandated by contracts, and to defray the cost of tuition for our students. We baselined our biennial request on the budget for fiscal year 2015.
- Compared to \$384.1M requested, for current services only, the proposed budget affords \$336.8M, or \$47.3M less than requested. Expansion requests are not included in this calculation.
- We have been able to mitigate the budget gap from \$47M to \$38M by cutting costs in the current fiscal year, which will roll over into the next year. Following approximately \$6M of budget holdbacks and rescissions, in fiscal year 2015 we have cut back on hiring and held open positions. On the side of good fortune, our fringe benefits this year are lower than the rate budgeted, therefore this \$38M deficit is the gap we must close as we look toward fiscal year 2016.
- The total gap from fiscal year 2015 compared to fiscal year 2016 proposed funding is not evident in the proposed budget, because the state funding provided to our constituent units fiscal year 2015 totaled \$357.3; \$338.3M came from the state's operating funds as reflected in the Governor's budget book, and \$19M was provided to us from CSLF funds; the proposed budget for fiscal year 2016 is \$20.6M less than prior year funding.

## State Appropriations vs Tuition



1. Fy 15 Projection incl \$40.8m of state operating and CSLF funds (excl BOR)

The size of the deficit we face is truly challenging, considering that our balanced budget is comprised of only tuition and appropriations on the revenue side, and a relatively inflexible cost structure on the spend side.

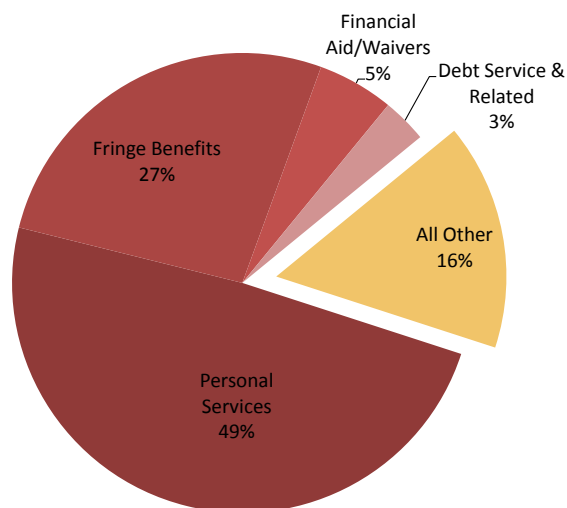
Our overarching goal of affordability to our students and their families would prohibit us from covering the \$38M gap through tuition and fee increases. To do so would require ridiculously high rate increases, and that would be unacceptable to all of us – our board, our management, our faculty, many members of the legislature, and most of all, our students.

On the other hand, to cover this gap with personnel decreases is also unacceptable; we would lose as many as 365 full-time employees, approximately 6% of our total full-time headcount. This would significantly impair our instructional capabilities and the quality of our services.

Our operating structure is such that any reductions that could potentially be made in discretionary areas are minimal. The following chart breaks down our typical expense profile:

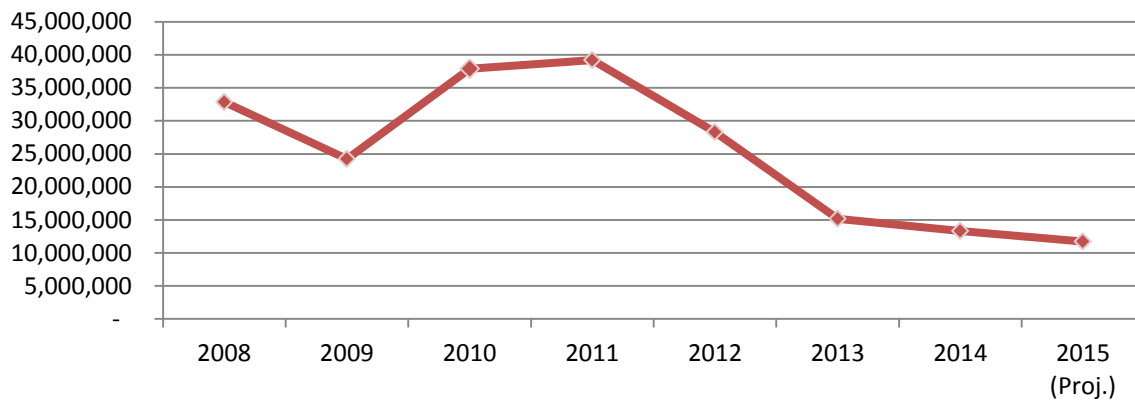
After wages, fringe benefits, financial aid/waivers, and debt service, we are left with about 16% of our overall spending. This 16% comprises such costs as utilities, food services, audit fees, out-sourced custodial and security fees, insurance, IT expenses, and facilities and equipment repairs. We understand that, under the circumstances, we must find ways to reduce our spending, but I want to emphasize that under our current structure the vast majority of our costs are fixed or semi-fixed. Further, in the area of semi-fixed costs, the easiest service reductions were made in prior fiscal years. The remaining options are far more serious and challenging to implement.

**College and University Aggregate Expenses**



At the community colleges in particular the continued decline in reserve balances is an additional difficulty. Our unrestricted reserves for the community colleges in aggregate has deteriorated from a high point of \$39.2M in fiscal year 2011 to a dangerously low projected level of \$11.7M in fiscal year 2015. This is just over 2% of the total community college operating budget and is inadequate to cover emergency shortfalls. The colleges simply cannot afford to operate at a loss any longer.

## Community College Unrestricted Net Assets (Reserves)



In addition to a reduced level of current services, we were not provided with any funding under our expansion options request. I do want to highlight a couple of those that we would consider critical and central to our mission that are not funded.

- Funding of \$10.8M for Developmental Education was provided to CSCU in fiscal year 2015 as our legislators wanted to ensure that we were providing adequate support to those students who required more tailored instruction and smaller class sizes in basic English and math instruction. We geared up our infrastructure to support these efforts, and as of now are working towards compliance with Public Act 12-40 in the fall of 2015. Without the continued support for these activities, our institutions now are facing unfunded mandates, and a cost structure that already assumed this level of support would continue. Our ability to meet this mandate in the fall is in question.
- Our request for additional security heads at seven of our colleges and one at the system office followed a security assessment performed by a team of experts. These additional personnel would provide staff to those institutions that currently do not have an employee leading security, and an employee to be the system liaison to homeland security offices.
- Our request included funding to continue and expand our early college efforts. These programs are geared towards students who may not ordinarily go to college, and provide direction and support to improve their probabilities of a successful start in their adult lives. We believe that continued programs geared towards the transition from high school to college will diminish the need for developmental education in the future.
- We had requested funding to support hiring of additional academic advisors. Our research indicated that the averages of student to advisor ratios are severely unfavorable when compared to national averages, and national research shows that reducing these ratios will have a marked effect on student retention and success. Schedule B shows these ratios across the system.

I will turn it back over to Dr. Gray now for brief concluding remarks.

### Conclusion

I believe I speak for everyone on our team, and members of the Board of Regents, when I say that I do not envy the terribly difficult task that Governor Malloy, and you as well, must undertake. We stand

ready to do what we recognize will be our part in managing our budget responsibly, given the resources available to us. However, I truly believe that we have reached a tipping point in the cost of higher education as borne by the student. Economic revitalization in Connecticut depends in no small part on the quality and education of our citizens and our workforce, and maintaining that quality requires investment. I firmly believe that our institutions are worth that investment, and that the dividends it will pay are exponential. So I encourage you to do all that you can to restore a level of funding to the system that will allow us to continue our mission of providing access, affordability, and a quality student experience.

Thank you.



Schedule A

Recap of Funding from FY 2015 Authorized through FY 2016 Recommended (Governor's Budget)					
	FY 2015	FY 2015	FY 2016	FY 2016	FY 2016
	Authorized	Projected	Requested	Recommended	Revised Break Even (1)
Charter Oak State College	2,588,604	2,558,052	2,743,436	2,733,385	4,429,473
Connecticut Community Colleges	155,605,363	154,324,892	163,455,836	163,171,028	190,720,896
Connecticut State Universities	155,564,671	152,172,982	164,170,323	159,309,488	178,913,031
Board of Regents	666,038	666,038	702,670	666,038	702,670
Tuition Support	23,000,000	23,000,000	53,026,143	10,894,737	
Accruals	908,635				
Total per Governor's Proposed Budget	338,333,311	332,721,964	384,098,408	336,774,676	374,766,070
Funding from CSLF	19,000,000	17,850,000			
Total CSCU Funding	357,333,311	350,571,964	384,098,408	336,774,676	374,766,070
FY 2015 Projected vs Authorized		(6,761,347)			
FY 2016 Requested vs FY 2015 Authorized			26,765,097		
FY 2016 Recommended vs Requested				(47,323,732)	
FY 2016 Recommended vs FY 2015 Projected				(13,797,288)	
FY 2016 Recommended vs FY 2015 Authorized				(20,558,635)	
FY 2016 Budget Gap Break Even to Recommended					(37,991,394)
(1) Based on most current projections for FY 2015 grossed up for FY 2016					

## Schedule B

CSCU Student/Advisor Ratios											
		Fall 2013 Undergraduate FTE	FTE Advisors - Current	Students per Advisor - Current	Students per Advisor - National Mean	Total Advisors Required FTE	Additional Advisors Required	Times \$40,000 salary plus 60% fringe	Advisors Rounded	Salary Each = \$40,000	With 60% Fringe
		A	B	C = A / B	D	E = A / D	F = E - B				
<b>Colleges</b>											
	ACC	1,035	1.5	690	233	4.4	2.9	188,292	3	120,000	192,000
	CCC	2,271	4.0	568	233	9.7	5.7	367,794	6	240,000	384,000
	GWCC	4,691	4.5	1,043	233	20.1	15.6	1,000,607	15	600,000	960,000
	HCC	3,245	2.0	1,623	233	13.9	11.9	763,385	12	480,000	768,000
	MCC	4,455	5.0	891	233	19.1	14.1	903,609	14	560,000	896,000
	MxCC	1,711	0.5	3,422	233	7.3	6.8	437,993	7	280,000	448,000
	NVCC	4,374	7.0	625	233	18.8	11.8	753,378	12	480,000	768,000
	NWCC	816	3.0	272	233	3.5	0.5	32,137	1	40,000	64,000
	NCC	3,854	7.0	551	233	16.5	9.5	610,609	9	360,000	576,000
	QVCC	1,096	2.0	548	233	4.7	2.7	172,992	3	120,000	192,000
	TRCC	2,752	7.0	393	233	11.8	4.8	308,006	5	200,000	320,000
	TXCC	2,581	3.0	860	233	11.1	8.1	517,054	8	320,000	512,000
<b>COLLEGES</b>		<b>32,882</b>					<b>94.6</b>	<b>6,055,856</b>	<b>95</b>	<b>3,800,000</b>	<b>6,080,000</b>
<b>Universities</b>											
	Central	9,376	13.0	721	333	28.2	15.2	969,994	15	600,000	960,000
	Eastern	4,777	9.0	531	233	20.5	11.5	736,137	12	480,000	768,000
	Southern	8,833	11.0	803	333	26.5	15.5	993,634	16	640,000	1,024,000
	Western	4,943	9.2	539	233	21.2	12.0	770,854	12	480,000	768,000
<b>UNIVERSITIES</b>		<b>27,929</b>						<b>3,470,619</b>	<b>55</b>	<b>2,200,000</b>	<b>3,520,000</b>
<b>TOTAL FUNDING REQUIRED FY2017</b>								<b>9,526,475</b>			<b>9,600,000</b>
<b>TOTAL FUNDING REQUIRED FY2016 (50%)</b>								<b>4,763,237</b>			<b>4,800,000</b>